

From: Nelson, Mark
To: Comments Gipsa
Date: 6/26/03 4:54PM
Subject: GIPSA Livestock and Meat Marketing Study

June 26, 2003

Tess Butler
GIPSA, USDA
1400 Independence Ave., SW
Room 1647-S
Washington, DC 20250-3604

Re: Grain Inspection, Packers and Stockyards Administration
Livestock and Meat Marketing Study
Federal Register Notice May 30, 2003, Vol. 68, No. 104, Pages
32455-32458

I am writing to convey Kansas Farm Bureau's comments and suggestions regarding GIPSA's planned study of US livestock and meat marketing. As Director of Commodities with Kansas Farm Bureau, I have the pleasure of working with our 41,000 plus voting members, who represent roughly 23,000 cattle, 1000 hog and 1000 sheep operations. Kansas is the number two cattle state in the nation and we rank ninth in the number of hogs. Livestock represents a key component of our state's economy and a healthy livestock industry is vital to our members. We understand the importance of this livestock and meat marketing study and appreciate your efforts to develop a sound outline.

Overall, we are very pleased with the outline shared in the Federal Register but would like to offer a few suggestions. First, we believe that one objective of this study should be to identify potential solutions to the problems surrounding livestock price discovery. Our members are concerned about maintaining competitive markets for their cattle, hogs and sheep, and more importantly, the development of a more transparent system of livestock price discovery that enhances information transfer throughout the value chain. Surveying firms, examining historical sales and procurement transactions and summarizing the findings will provide a solid foundation, but will likely not provide the industry with innovative solutions.

Secondly, we believe that any study of the US livestock and meat marketing system should also examine the potential of basing livestock prices on retail meat values. As the number of branded marketing alliances increases and more and more retailers demand case-ready meat products, the lines separating industry sectors are becoming blurred. Traditional points of price determination, including cash fed cattle, hog and lamb prices, and wholesale meat values are losing their ability to adequately convey market information. Currently, we are not aware of any livestock buyer or processor that exclusively uses retail meat prices to establish the base prices for live cattle, hogs or lambs but the members of both our Swine and Beef Advisory Committees have recommended, and our Board of Directors concurs, that a thorough examination of its potential should be undertaken. As we interpret your

study outline, we believe that this topic fits very well under Objective 8; Examine the implications of alternative marketing arrangements on price discovery in cattle, hog, lamb, and meat markets. Assess how prices are likely to be determined if spot markets become thinner as use of alternative marketing arrangements increases.

We believe that technology is now available to potentially develop a slaughter hog and cattle valuation system based on retail meat scanner data. Because of this, it is vital that a non-biased study be implemented to determine;

- a) Whether such a system would be viable and enhance price discovery;
- b) How it could be designed to accurately allocate the retail value of livestock to each industry sector; and
- c) How producer level market prices and profitability would be affected in the long-run.

Lastly, we suggest that when soliciting research proposals; GIPSA place an emphasis on agricultural economics departments as opposed to university business schools. While a business school certainly brings a degree of economic research expertise, over the past decade, many agricultural economists from different universities have done numerous studies and gained a great deal of expertise regarding US livestock markets and marketing. Two such agricultural economists that we strongly recommend as either researchers or on the peer review panel include:

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James Mintert
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We not only appreciate your efforts to outline and undertake a much needed study of the US livestock industry, but more importantly appreciate the opportunity to comment on its scope and approach. We look forward to interacting with GIPSA as this study progresses.

Sincerely,

Mark Nelson
Director of Commodities
Kansas Farm Bureau
(785) 587-6103

